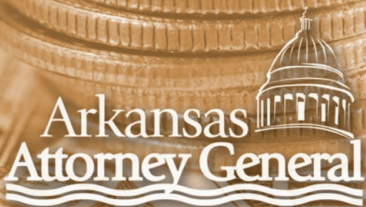


YOUR CREDIT HISTORY MATTERS



A joint project of the Arkansas and Tennessee Attorney General's Offices.



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YOUR CREDIT HISTORY MATTERS

It is never too early to start building a good credit history even in high school or college. Your credit history will affect whether you can borrow money for necessities. Employers frequently check credit histories of prospective employees. A good credit history is a good reference!

CREDIT CARDS AND STUDENTS

Today, students are bombarded with offers for cards from the first day they buy books in the college bookstore until after they have graduated and become employed full-time. A credit card is a fact of life, so, just as with other facts of life, the best advice is to educate yourself of the risks and take precautions to avoid being harmed by signing up for a card. Before you agree to be responsible for a credit card, remember the following:

SAFE USE OF CREDIT

Credit cards are pre-approved loans. When you charge something on a credit card, the bank issuing the card lends you the amount of the charge and you repay the loan as you have promised to in the agreement you signed to open the account. The way you repay these loans, or don't repay the loans, can affect any other credit you try to obtain. Credit card loans can be costly and it can take years to pay them off! Problems with the way you have handled credit such as late payments or non-payments stay in your credit report for seven years.

CREDIT CARDS ARE NOT FREE

A credit card is usually a relatively high interest loan. It may not start off at high-interest, but many credit cards have a finance charge - interest on the unpaid balance of your account each month - that can be as high as 22% annually or even more. Credit card companies also may charge an annual fee, which can be as much as \$100 or more. They also may have a cash-advance fee, which varies, but is often substantial.

And, don't even think of being late with a payment -- it could cost you a hefty fee, plus trigger an increase in your interest rate.

PAY OFF YOUR BALANCE EVERY MONTH

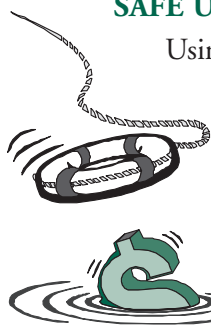
If you don't pay off your credit card's balance every month, the balance can gradually creep upwards and, eventually, become so high you can no longer make the payments! If you have an average unpaid bill of \$500 over a year, and a 20% finance charge, you will have to pay \$100 in interest, and maybe a few late charges along the way at \$20 or \$30 each. That \$500 in debt could easily cost you \$150 a year, or more, before you even start paying it off!

CREDIT CARD TIPS

- » Never have more credit cards than you can afford to pay off in a reasonable time.
- » Shop for the lowest interest rate and for no annual fee.
- » Avoid late-payment penalties by always paying on time.
- » Know when your statement is supposed to come and check with the issuer if it doesn't come on time.
- » Be cautious about disclosing your account number over the phone unless you know you're dealing with a reputable company.
- » Never put your account number on the outside of an envelope or a postcard.
- » Draw a line through blank spaces on charge or debit slips above the total so the amount cannot be changed.
- » Never sign a blank charge or debit slip.
- » Tear up carbons and save your receipts to cross check against your monthly statements.
- » Cut up old cards - cutting through the account number - before disposing of them.

- » Open monthly statements promptly and compare them with your receipts. Report mistakes or discrepancies as soon as possible to the special address listed on your statement for inquiries. Under the FCBA (credit cards) and the EFTA (ATM or debit cards), the card issuer must investigate errors reported to them within 60 days of the date the statement was mailed.
- » Keep a record of your account numbers, expiration dates, and the telephone numbers of each card issuer so you can quickly report a loss.

SAFE USE OF DEBIT CARDS



Using a debit card is like cashing a check; only the money comes straight out of your checking or other account electronically, as soon as the transaction happens. If there isn't enough money to cover the debit, the lending institution may still honor the charge, but probably will add high penalties, which you will have to pay.

DEBIT CARD TIPS

- » Never spend more than you have in your account.
- » Overdraft fees can be very costly.
- » Never give out your personal identification number (PIN) over the telephone.
- » Don't carry your PIN in your wallet or purse or write it on your ATM or debit card.
- » Never write your PIN on the outside of a deposit slip, an envelope, or other papers that could be easily lost or seen.
- » Carefully check ATM or debit card transactions before you enter the PIN or before you sign the receipt; the funds for this item will be quickly transferred out of your checking or other deposit account.
- » Periodically check your account activity. This is particularly important if you bank online. Compare the current balance and recent withdrawals or transfers to those you've recorded, including your current ATM and debit card withdrawals and purchases and your recent checks.

If you notice transactions you didn't make, or if your balance has dropped suddenly without activity generated by you, immediately report the problem to your card issuer. Someone may have obtained your account information to commit fraud.

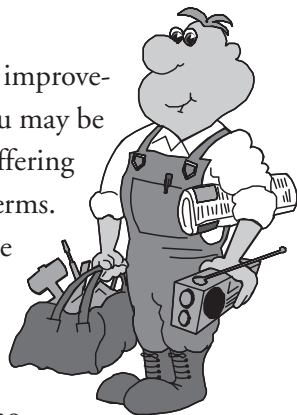
HOME EQUITY SCAMS

The equity you have in your home is likely your largest asset. It is also a target for unscrupulous mortgage brokers, mortgage lenders, and home improvement contractors. Low income and elderly homeowners are the most likely targets for these scams, but anyone may be vulnerable. If you respond to an offer for a home equity loan, you may be putting your home at risk. Watch out for these typical home equity scams.

“HOME IMPROVEMENT” LOANS

Perhaps your home could use some repair or improvement, but you do not have the cash on hand. You may be contacted by a home improvement contractor offering both the improvements and easy financing terms.

BEWARE. The financing offered by the home improvement contractor could be a home equity loan, often with steep interest rates and high fees. Once you have agreed to the loan and the contractor has been paid, the contractor may no longer be motivated to complete the job to your satisfaction.



LOAN FLIPPING

An unscrupulous lender can strip equity from your home by charging unnecessarily high interest and fees as part of the home equity loan. Some unscrupulous lenders are even greedier. A lender may return, offering to refinance your loan, suggesting that it is in your best interest to do so. This is merely an opportunity for the lender to charge more fees and strip more equity from your home. This is called “loan flipping.”

BALLOON PAYMENTS

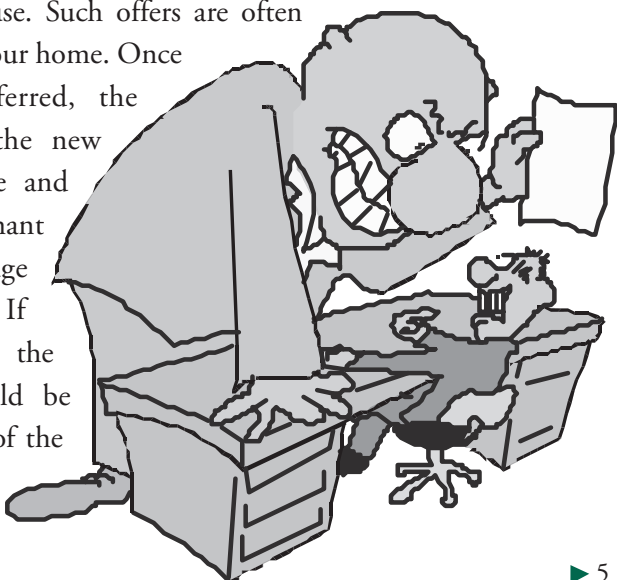
Some lenders may entice you with the offer of low monthly payments on a home equity loan. But what you may not know is that the low payments are temporary, and at the end of a short loan term, the principal (that is, the entire amount you borrowed) is due in one lump sum called a “balloon payment.” If you can’t make the balloon payment or refinance, you face foreclosure and the loss of your home.

CREDIT INSURANCE PACKING

Some unscrupulous lenders will add additional costs to your loan which you did not ask for and which you do not need or want. These additional costs can take many forms. One common form adds the cost of credit insurance to your loan. This insurance is expensive and, since it is financed in your loan, has the effect of stripping equity from your home. If you want the added security of credit insurance, shop around for the best rates.

SIGNING OVER YOUR DEED

If you are having difficulty paying your current mortgage, a new lender may offer to help you out of these difficulties by offering to refinance your loan once you, the homeowner, sign over to the lender the deed to the house. Such offers are often mere ploys to steal your home. Once the deed is transferred, the “lender” becomes the new owner of the home and can treat you as a tenant and your mortgage payments as rent. If you fall behind on the payments, you could be evicted and lose all of the equity in your home.



MORTGAGE SERVICING ABUSES

Once you get your mortgage, you may later receive a letter from the lender or mortgage servicing company informing you that your monthly payments have increased. Although there are legitimate reasons why monthly payments might increase (increased taxes or insurance costs), quite often the increases may merely be an attempt by the mortgage servicer to strip further equity from your home. The additional charges may not be justified.

DO'S AND DON'TS TO PROTECT YOUR HOME EQUITY

DON'T:

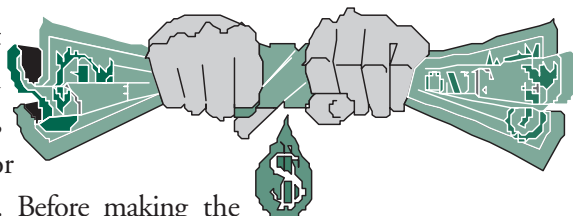
- » Don't agree to a home equity loan if you don't have enough income to make the monthly payments. (Watch out for loans with balloon payments.)
- » Don't sign any document you haven't read or any document that has blank spaces to be filled in after you sign.
- » Don't let anyone pressure you into signing any document. Read, understand, and act upon your right to cancel a home improvement contract and a financing agreement as provided by state and federal law.
- » Don't agree to a loan that includes credit insurance or extra products you don't want.
- » Don't let the promise of extra cash or lower monthly payments get in the way of your good judgment about whether the cost you will pay for the loan is really worth it.
- » Don't deed your property to anyone.

DO:

- » Do ask specifically if credit insurance is required as a condition of the loan. If it isn't, and a charge is included in your loan and you don't want the insurance, ask that the charge be removed from the loan documents. If you want the added security of credit insurance, shop around for the best rates.
- » Do keep careful records of what you've paid, including billing statements and cancelled checks. Challenge any charge you think is inaccurate.
- » Do check contractors' references when it is time to have work done in your home. Get more than one estimate. Also, shop around for the best financing available. Do not merely accept the financing that is being offered by the contractor.
- » Do consider loan counseling. Home equity loans are complex legal transactions. Expert home equity loan counseling is available in your community, free or at a low cost.

PAYDAY LOANS

These loans are called different things: payday loans, cash advances, check advance loans, post-dated check loans or deferred deposit check loans. Before making the



decision to obtain a payday loan, recognize that they come at a very high price. To obtain one of these loans, a borrower (you) writes a personal check payable to the lender for the amount of the loan plus a fee. The company then gives you the amount of the loan minus the fee. If you want to extend the time to pay back the loan (another two weeks), you have to pay more fees. Payday loans are very expensive. Sometimes the fee amount can be almost as much as the loan amount. For example, if you write a check for \$115 to borrow \$100 for 14 days and you roll it over two more times, you would pay \$45 for a loan of \$100. Even at a fee of \$15, you would be paying an annual percentage rate of 391%, which is astronomical.

There are several alternatives to obtaining a payday loan. Here are some ways for you to cut back on the costs:

- » Ask your creditors for more time to pay your bills.
- » Compare offers to come up with the lowest cost by looking at the APR and finance charges.
- » Consider a small loan from a credit union or small loan company, an advance on pay from your employer or a loan from a family member.
- » Make a monthly budget and avoid unnecessary purchases.
- » Contact a local consumer credit counseling service. There are non-profit groups that can help and often have little or no cost associated with their services.
- » Borrow ONLY as much as you can afford to pay back with your paycheck.
- » Get the terms in writing. Businesses making these loans must disclose the amount of finance charges and the annual percentage rate.

In Arkansas, certain regulations are imposed on check cashers by the State Board of Collection Agencies, which can be reached at (501) 376-9814. If you have a complaint against one of these companies, you may file a complaint with Attorney General Mike Beebe's Office.

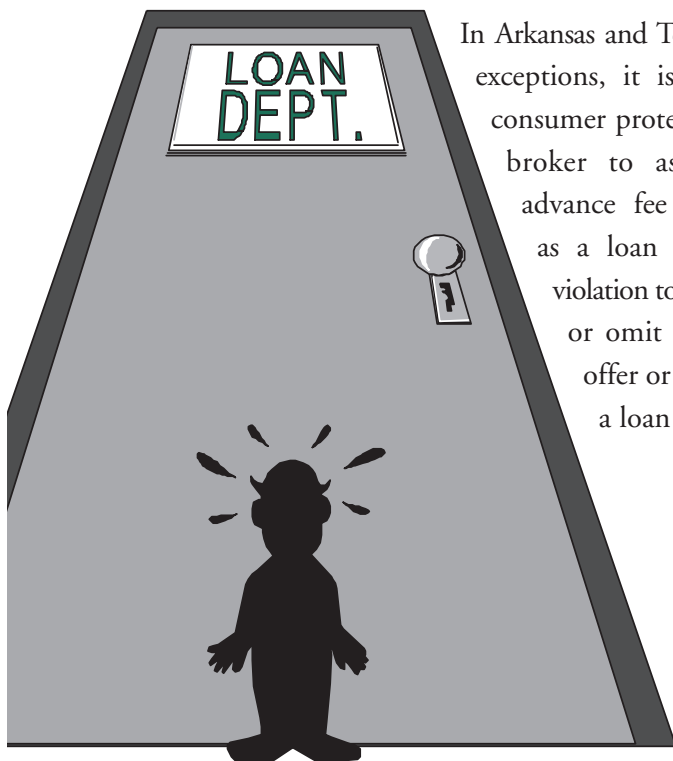
In Tennessee, if you have a complaint, contact the Department of Financial Institutions, which can be reached at 1-800-778-4215 or the Tennessee Division of Consumer Affairs at (615) 741-4737.

ADVANCE FEE LOANS

Many companies prey on unsuspecting consumers with bad credit by offering a "guaranteed" line of credit. At first, this may seem like a good option for people who have bad credit or no credit. However, many of these offers may be nothing more than scams. Consumers can be charged a fee from \$100 to several hundred dollars for nothing more than an application for a loan. Keep these tips in mind if you are considering responding to one of these offers:

- » Legitimate lenders never “guarantee that you are likely to get a loan or a credit card before you apply, especially if you have bad credit, no credit, or have had bankruptcy. Many advance fee loan companies will either promise or strongly suggest that the loan will be provided in exchange for an up front fee.
- » Legitimate lenders never ask you to pay up front for processing your application. However, if you apply for a real estate loan, it is a common practice for lenders to request a payment for a credit report or appraisal.
- » Never give a credit card account number, bank account information, or Social Security number over the telephone or Internet unless you are familiar with the company and know why the information is necessary.
- » If you are asked to pay before you have an offer that has been confirmed in writing, **DO NOT PAY.**
- » Always get confirmation in writing.

(Many unsolicited e-mails that offer to help you get a loan are fraudulent; therefore, unless you know the lender, **DO NOT GIVE ANY PERSONAL INFORMATION** to these e-lenders.)



In Arkansas and Tennessee, with certain exceptions, it is a violation of our consumer protection laws for a loan broker to assess or collect an advance fee to provide services as a loan broker. It is also a violation to mislead the consumer or omit material facts in the offer or sale of the services of a loan broker.

YOUR RIGHTS IN OBTAINING CREDIT

In 1985, the Federal Trade Commission promulgated the Credit Practices Rule (CPR). This Rule requires creditors to advise consumers who co-sign on behalf of other borrowers about their potential liability if the other person fails to pay. The CPR applies to consumer credit transactions offered by finance companies, retailers (auto dealers, furniture stores, and department stores), and credit unions. It does not apply to purchases of real estate. The Rule also does not apply to banks or bank credit cards, to savings and loan associations, or to some non-profit organizations. Under the Credit Practices Rule, the following provisions are prohibited from being in consumer credit contracts:

- » A credit contract cannot require you to agree to give up your right to be notified of a court hearing to present your side of the case. It cannot require you to give up your right to hire an attorney to represent you.
- » You cannot be required to give up certain personal belongings if you do not pay your debt as agreed. Some states' laws generally allow you to keep your home, clothing, dishes, and other belongings of a fixed minimum value. However, when the debt incurred is collateralized by an item of personal property, the creditor may still repossess that item. Unless you can cancel that permission at any time, creditors cannot require you to agree, in advance, to wage deductions that would pay the creditor directly if you default on the debt. However, you can still enter into a wage deduction plan to pay off the loan.

CREDIT REPORTS

Your credit report is a history of the credit you have had and how you have maintained it. A credit report may include the date credit accounts were opened, the amount, the balance owed, status of the account, your payment pattern, the date of the last activity, as well as public records, such as whether you have been sued, convicted of a crime, or any bankruptcy filing.

Creditors regularly report this information to credit bureaus. Some companies even ask for a credit report before hiring prospective employees. Information, such as defaulting on a loan, may remain on your credit report for up to seven years. A bankruptcy will remain on your report for ten years. You should check your credit report at least once each year or before making any major purchases. Once you receive your credit report, check to see that all information is accurate and that no one is using your name and credit for fraudulent purposes.

Your credit report is free if you are unemployed, on public assistance, a victim of fraud, or have been denied credit, insurance, or employment within the past 30 days. To obtain a copy of your credit report, call each company (listed below) for tape-recorded instructions on how to order your credit report:

Equifax P.O. Box 740241, Atlanta, Georgia 30374
1-800-685-1111 www.equifax.com

Experian P.O. Box 1017, Allen, Texas 75013
1-888-397-3742 www.experian.com

TransUnion P.O. Box 390, Springfield, PA 19064
1-800-916-8800 www.tuc.com

WHAT ACTION DO I TAKE IF I FIND AN ERROR?

You have a right to request that credit information you dispute be reinvestigated. There is no charge for this service.

If you believe your credit report is inaccurate or incomplete: (1) get a copy of your credit report and review it; (2) determine which items in the report are inaccurate or incomplete; (3) write to the creditor and all credit bureaus explaining the inaccuracy or incomplete information; (4) send all letters by certified mail, return receipt requested,



and keep a copy of the letter and of any other documents you send; and (5) keep all your original documents, especially receipts, sales slips, and billing statements. It may take more than one letter to correct a credit problem. Be persistent.

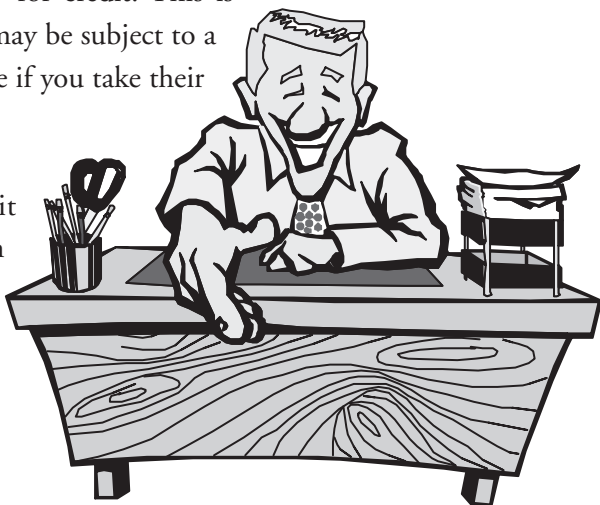
Within 30 days, the reporting agency must update or delete the information. It must notify you that the investigation has been completed, as well as provide you with a revised report. In some cases, the reporting agency may maintain that the information is correct. If this happens, you are entitled to provide a statement of 100 words or less explaining why you believe there is an error, and the statement will be included in your future credit reports.

CAN A PROFESSIONAL REPAIR MY CREDIT FOR ME?

There is nothing a credit repair company can do for you - for a fee - that you cannot do for yourself for little or no cost. You may have seen advertisements promising to repair or erase bad credit. The fee is usually from \$50 to \$1,000 and is required up front. Be careful! The only real way to repair your credit is through time and prompt payment of bills.

Sometimes, these companies tell consumers to apply for an employer identification number (EIN) and use that number, instead of their Social Security number, to apply for credit. This is illegal! Do not do it! You may be subject to a fine and/or prison sentence if you take their advice.

Before using any credit repair service, check with your Better Business Bureau and make sure the service is bonded.



Summary

MISC. DAILY TOTAL \$0

PURPOSE (Who, What, Where)

GIFT / CLIENT

TRAVELING / PREP

PULASKY / PENA.

21.19
21.32

RECEIPT
THANK YOU

14.96
0000
4.95 TX I
0.38 TX I
5.33 II
10.00 CM
4.67 CG
001
7.45 045

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